



Appeal of Helmut F. and Gisela H. Froeber

On April 10, 1976, appellants filed **their** joint California personal income tax return for 1975. In that return they reported total income of **\$35,809.65** and two **adjusted** gross-income: figures, **\$30,292.65** and **\$8,655.04**. They arrived at the latter figure as follows:

$$\frac{30,292.65 \text{ F.R.N.}}{3.5 \text{ F.R.N.}} \times \$1.00 = \$8,655.04$$

Appellants computed their tax liability on the basis of an adjusted gross income of **\$8,655.04**, claiming that that figure represented the fair market value of Federal Reserve notes in 1975, since in that year they could be exchanged for silver coin with a face value of only two-sevenths (2/7) of the face value of Federal Reserve notes. Respondent issued its proposed assessment of additional personal income tax on the basis of an adjusted gross income of **\$30,292.65**, rather than the lower figure used by appellants. Whether respondent's assessment was proper is the only issue presented by this appeal.

Appellants contend they have the constitutional right to compute their tax liability in any form of legal tender they wish, and the legal right to decrease their taxes by any means which the law permits. They urge that Federal Reserve notes are not "dollars" and, therefore, the reduction of their adjusted gross income was proper, since it was in accordance with the true value, of Federal Reserve notes in 1975. Furthermore, appellants contend, the remuneration which they received for their services in 1975 was not in the form of cash but in the form of checks or notes, and in their tax return for that year they properly computed their tax on the basis of the fair market value of those debt instruments. Finally, appellants argue that their income is not a proper subject of taxation because a tax measured by income is an excise tax imposed on corporations exercising certain state-granted privileges, none of which have been granted to or exercised by appellants.

It is well settled that respondent's determination of a deficiency assessment is presumed correct and the burden of proving that determination erroneous is on the taxpayer. (Toad v. McColgan, 89 Cal. App. 2d 509 [201 P.2d 414] (1949); Appeal of Pearl R. Blattenberger, Cal. St. Bd. of Equal., March 27, 1952 .) On numerous occasions in the past, we have rejected attacks such as appellants' on the validity or constitutionality of Federal Reserve notes. (See, e.g., Appeal of Armen B. Condo, Cal. St. Bd. of Equal., July 26, 1977; Appeal of Donald H. Lichtle, Cal. St. Bd. of Equal., Oct. 6, 1976; Appeal of Iris E. Clark, Cal. St. Bd. of Equal., March 8, 1976.) Although some of the arguments

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presented by appellants herein do constitute a departure from the standard litany we often hear in cases of this **type**, we nevertheless believe they are equally without merit.

It does not appear to be disputed that appellants had an adjusted gross income of **\$30,292.65** in 1975. As residents of California, they clearly were subject to the personal income tax imposed by this state (Rev. & Tax. Code, § **17041**), and there was no legal justification for their application of any conversion factor in order to reduce the adjusted gross income figure. In computing taxable income under the Personal Income Tax Law, Federal Reserve notes must be accounted for at their face value, regardless of periodic fluctuations in their purchasing power. (Appeal of Robert S. Means, Cal. St. Bd. of Equal., Jan. 9, 1979; see generally Lou M. Hatfield, 68 T.C. 895 (1977), and cases cited therein.) **This is the** only rational basis on which the tax laws can be administered.

Upon review of the entire record, we conclude that appellants have failed to establish any error in respondent's determination of their personal income tax liability for 1975. Respondent's action in this matter must therefore be sustained.


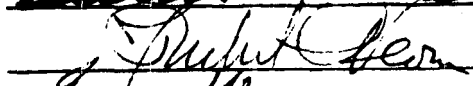
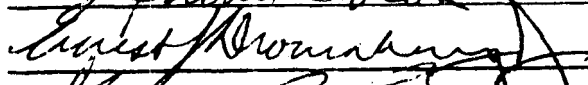
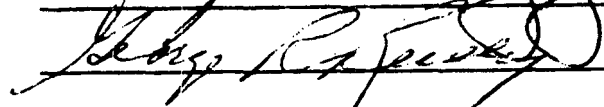
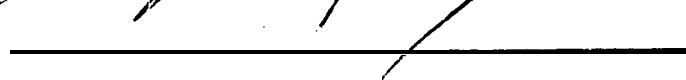
O R D E R

Pursuant to the views expressed in the opinion of the board on file in this proceeding, and good cause appearing therefor,

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IT IS HEREBY ORDERED, ADJUDGED AND DECREED, pursuant to section 18595 of the Revenue and Taxation Code, that the action of the Franchise Tax Board on the protest of **Helmut F. and Gisela H. Froeber** against a proposed assessment of additional personal income tax in the amount of **\$1,323.26** for the year 1975, be and the same is hereby modified in accordance with respondent's **concession** that the amount of the proposed assessment should be **reduced** to \$986.26. In **all** other respects, respondent's action is sustained.

Done at Sacramento, California, this 25 day of September, 1979, by the State Board of Equalization.

	Chairman
	Member
	Member
	Member
	Member